

**REDEVELOPMENT AGENCY OF PLACER COUNTY**  
**(A Component Unit of the County of Placer, California)**

**INDEPENDENT AUDITOR'S REPORTS,  
MANAGEMENT'S DISCUSSION AND ANALYSIS,  
BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION AND  
OTHER SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2009**

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

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**FOR THE YEAR ENDED JUNE 30, 2009**

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**MACIAS GINI & O'CONNELL** LLP  
Certified Public Accountants & Management Consultants

SACRAMENTO  
3000 S Street, Suite 300  
Sacramento, CA 95816  
916.928.4600

WALNUT CREEK

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

To the Board of Directors  
Redevelopment Agency of  
Placer County  
Auburn, California

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of Placer County (Agency), a component unit of the County of Placer, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2009, and the respective changes in its financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B to the financial statements, effective July 1, 2008, the Agency implemented the provisions of Government Accounting Standards Board (GASB) Statements No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2009 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and schedule of revenues, expenditures and changes in fund balance – budget and actual – low and moderate income special revenue fund as listed in the table of contents are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Maclean Nini & O'Connell LLP*

Certified Public Accountants

Sacramento, California  
November 4, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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As management of the Redevelopment Agency of Placer County (the Agency), a component unit of the County of Placer, (the County) we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the Agency's basic financial statements, which begins on page 10.

**FINANCIAL HIGHLIGHTS**

- The assets of the Agency exceeded liabilities at the end of the fiscal year by \$23,801,337 (net assets).
- The Agency's governmental funds reported an ending fund balance of \$29,167,969.
- During the year, the Agency's revenues generated from taxes and governmental programs totaled \$9,557,342 and were \$607,831 less than the \$10,165,173 of governmental program expenses.
- Intergovernmental contributions revenue decreased \$1,754,893 due to the timing of capital projects. In the current fiscal year 2008-2009 the Rock Creek project is still in its early stages, therefore only \$9,898 of the project's costs were funded by a State grant. In the prior fiscal year 2007-2008, \$1,823,234 of the Auburn Plaza project's costs were funded by a State grant.
- \$152,500 of restitution, on two previously defaulted and written off notes receivable, were received during the current fiscal year.
- The Agency borrowed \$1,630,953 less in fiscal year 2008-2009 than in fiscal year 2007-2008 due to the timing of capital projects.
- FY 2008-2009's payments to other agencies increased \$2,539,276 over FY 2007-2008 primarily due to the \$2,500,000 contribution to Placer County's Department of Public Works for the highway 65 interchange project.
- Capital outlay expenditures in FY 2008-2009 decreased \$9,115,759 compared to FY 2007-2008 due to the timing of capital projects.
- Total capital assets of the Agency, which includes, land, buildings, infrastructure, construction in progress and equipment, valued on an acquisition cost basis was \$20,994,241. After depreciation, the June 30, 2009 book value for capital assets totaled \$20,703,714.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the basic financial statements.

- The government-wide financial statements provide both long-term and short-term information about the Agency's overall financial status.
- The fund financial statements focus on individual functions (housing and community development) of the Agency, reporting the Agency's operations in more detail than the government-wide statements.
  - The governmental funds statements offer short-term financial information about the Low and Moderate Income and Capital Projects Funds.
  - Included in the Supplemental Information are combining Fund Financial Statements that detail the activities of the Low and Moderate Income Special Revenue Fund and Capital Projects Funds by Project Area.

**Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business. These statements report information about the Agency and its activities. The statements include all assets and liabilities of the Agency using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report on the housing and community development functions of the Agency that are principally supported by taxes and intergovernmental revenues. The Agency's function is to improve, rehabilitate and develop certain areas within the County. This is funded primarily with incremental property tax revenue. The government-wide financial statements can be found on pages 10 and 11 of this report.

### **FUND FINANCIAL STATEMENTS**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### **Governmental Funds**

The Agency's basic activities are reported in the governmental funds, which focus on the flow of financial resources into and out of the funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information may be useful in evaluating a government's near-term financing requirements.

The Agency maintains major governmental funds for: its special revenue and capital projects funds in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and *governmental activities*. The governmental fund financial statements can be found on pages 12 through 14 of this report.

#### **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 29 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$23,801,337 at the close of the most recent fiscal year.

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

The Agency has \$6,896,147 invested in capital assets, net of related debt (e.g., land, equipment, infrastructure and construction in progress). Any investment in capital assets limits the use of assets for future spending. Additionally, the Agency has restricted \$1,239,084 of net assets for fiscal year 2009-2010's debt service requirements and \$5,221,851 for housing projects and program services. The unrestricted net assets of the Agency are available for future use to provide program services.

**Agency's Condensed Statement of Net Assets**

|                                 | Governmental<br>Activities |                      |              |
|---------------------------------|----------------------------|----------------------|--------------|
|                                 | 2009                       | 2008*                | Variance (%) |
| Current and other assets        | \$ 32,823,601              | \$ 35,136,938        | -6.6%        |
| Capital assets, net             | 20,703,714                 | 20,231,521           | 2.3%         |
| Total assets                    | <u>53,527,315</u>          | <u>55,368,459</u>    | <u>-3.3%</u> |
| Current liabilities             | 814,442                    | 1,616,285            | -49.6%       |
| Long-term liabilities           | 28,911,536                 | 29,343,006           | -1.5%        |
| Total liabilities               | <u>29,725,978</u>          | <u>30,959,291</u>    | <u>-4.0%</u> |
| Invested in capital assets, net |                            |                      |              |
| of related debt                 | 6,896,147                  | 8,848,029            | -22.1%       |
| Restricted for debt service     | 1,239,084                  | 1,223,364            | 1.3%         |
| Restricted for housing          | 5,221,851                  | 5,168,873            | 1.0%         |
| Unrestricted                    | 10,444,255                 | 9,168,902            | 13.9%        |
|                                 | <u>\$ 23,801,337</u>       | <u>\$ 24,409,168</u> | <u>-2.5%</u> |

\* Amounts have been reclassified and restated from amounts presented in the prior year in order to be consistent with the current year's presentation.

During the current fiscal year the net assets of the Agency decreased by \$607,831. This decrease comes from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets. Presented in the Statement of Activities are program expenses by function, general revenues by major source and total net assets.

The cost of governmental activities for the Agency this year was \$10,165,173. Total resources for the current year to finance the Agency's operations were \$9,557,342. The majority of this revenue was generated from property tax increment, which represents \$8,026,003.

Property taxes allocated to the Agency are computed in the following manner:

- a. The assessed valuation of all property within each of the Agency's Project Areas are determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment roll.
- b. Property taxes related to the incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the County and other districts receiving taxes from the project area.



**REDEVELOPMENT AGENCY OF PLACER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Agency's Condensed Statement of Activities**

|  | <b>Governmental<br/>Activities</b> |                      |                     |
|--|------------------------------------|----------------------|---------------------|
|  | <u>2009</u>                        | <u>2008*</u>         | <u>Variance (%)</u> |
| <b>Revenue:</b>                            |                                    |                      |                     |
| Program revenue:                           |                                    |                      |                     |
| Intergovernmental contributions            | \$ 80,083                          | \$ 1,834,976         | -95.6%              |
| Capital contributions                      | -                                  | 483,945              | 100.0%              |
| Rental                                     | 246,747                            | 68,272               | 100.0%              |
| Project loan repayments - interest         | 66,750                             | 288                  | 100.0%              |
| General revenue:                           |                                    |                      |                     |
| Property tax increment                     | 8,026,003                          | 7,693,958            | 4.3%                |
| Investment earnings                        | 984,253                            | 1,537,439            | -36.0%              |
| Miscellaneous                              | 153,506                            | 481                  | 31813.9%            |
| Total revenue                              | <u>9,557,342</u>                   | <u>11,619,359</u>    | <u>-17.8%</u>       |
| <b>Expenses:</b>                           |                                    |                      |                     |
| Housing                                    | 1,137,639                          | 1,021,989            | 11.3%               |
| Commercial development                     | 7,745,727                          | 2,587,204            | 199.4%              |
| Interest on long-term debt                 | 1,281,807                          | 1,269,124            | 1.0%                |
| Total expenses                             | <u>10,165,173</u>                  | <u>4,878,317</u>     | <u>108.4%</u>       |
| <b>Change in net assets</b>                | (607,831)                          | 6,741,042            | -109.0%             |
| Net assets, beginning of year, as restated | 24,409,168                         | 17,668,126           | 38.2%               |
| Net assets, end of year                    | <u>\$ 23,801,337</u>               | <u>\$ 24,409,168</u> | <u>-2.5%</u>        |

\* Amounts have been reclassified and restated from amounts presented in the prior year in order to be consistent with the current year's presentation.

The significant variances between the current fiscal year (2008-2009) and the prior fiscal year (2007-2008) consisted of the following:

- Intergovernmental contributions decreased \$1,754,893 from FY 2007-2008 to FY 2008-2009 due to the timing of capital projects. In the current fiscal year 2008-2009 the Rock Creek project is still in its early stages, therefore, only \$9,898 of the project's costs were funded by a State grant. In fiscal year 2007-2008, \$1,823,234 of the Auburn Plaza project's costs were funded by a State grant.
- Capital contributions were received for the Auburn Plaza project during FY 2007-2008 in the amount of \$483,945. The project was completed during FY 2008-2009 with no additional contributions being received.
- \$152,500 of restitution (miscellaneous revenue) on two previously defaulted and written off notes receivable were received during the current fiscal year.
- Investment earnings decreased \$553,186 due to the use of capital for projects and lower interest rates.

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

- Commercial development expenses during FY 2008-2009 increased \$5,158,523 over FY 2007-2008 primarily due to the following: 1) \$2,500,000 was contributed, during FY 2008-2009, to Placer County's Department of Public Works for the highway 65 interchange project; 2) \$1,446,356 in construction in progress was written off and \$650,000 of previously donated land was reconveyed to its original owners, during FY 2008-2009 due to the cancellation of the Tahoe City Marina Public Parking Structure project; and 3) depreciation expense on the Agency's capital assets increased \$82,297 over the prior fiscal year.

**FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS**

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's governmental funds are discussed below:

**Governmental funds**

The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of the end of the current fiscal year, the Agency's governmental funds reported an ending fund balance of \$29,167,969. The fund balance primarily represents the accumulation of incremental property tax, bond proceeds and investment earnings in excess of expenditures. The excess fund balance will be used for low and moderate income housing program expenditures, administration and planning and specific capital projects within the project area.

**Revenues by Source  
Governmental Funds**

|   | FY2009               |                     | FY2008               |                     | Increase/<br>(Decrease) |                      |
|---|----------------------|---------------------|----------------------|---------------------|-------------------------|----------------------|
|   | Amount               | Percent of<br>Total | Amount               | Percent of<br>Total | Amount                  | Percentage<br>Change |
| Taxes   | \$ 8,026,003         | 77.7%               | \$ 7,693,958         | 56.3%               | \$ 332,045              | 4.32%                |
| Investment earnings                           | 984,253              | 9.5%                | 1,537,439            | 11.3%               | (553,186)               | -35.98%              |
| Intergovernmental contributions               | 80,083               | 0.8%                | 1,834,976            | 13.4%               | (1,754,893)             | -95.64%              |
| Other income                                  | 835,133              | 8.1%                | 553,712              | 4.1%                | 281,421                 | 50.82%               |
| Total revenues                                | 9,925,472            | 96.1%               | 11,620,085           | 85.1%               | (1,694,613)             | -14.58%              |
| Other financing sources:                      |                      |                     |                      |                     |                         |                      |
| Proceeds from issuance of debt                | 409,000              | 3.9%                | 2,039,953            | 14.9%               | (1,630,953)             | -79.95%              |
| Total revenues and<br>other financing sources | <u>\$ 10,334,472</u> | <u>100.0%</u>       | <u>\$ 13,660,038</u> | <u>100.0%</u>       | <u>\$ (3,325,566)</u>   | <u>-24.35%</u>       |

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

| <b>Expenditures<br/>Governmental Funds</b>    |                      |                     |                      |                     |                          |                      |
|---|----------------------|---------------------|----------------------|---------------------|--------------------------|----------------------|
|   | FY2009               |                     | FY2008               |                     | Increase /<br>(Decrease) | Percentage<br>Change |
|   | Amount               | Percent of<br>Total | Amount               | Percent of<br>Total | Amount                   |                      |
| Expenditures:                                 |                      |                     |                      |                     |                          |                      |
| Administration and planning                   | \$ 2,392,486         | 19.5%               | \$ 2,145,140         | 11.9%               | \$ 247,346               | 11.53%               |
| Payments to other agencies                    | 3,702,376            | 30.1%               | 1,163,100            | 6.4%                | 2,539,276                | 218.32%              |
| Project loans                                 | 848,807              | 6.9%                | 794,830              | 4.4%                | 53,977                   | 6.79%                |
| Capital outlay                                | 3,218,853            | 26.2%               | 12,334,612           | 68.3%               | (9,115,759)              | -73.90%              |
| Debt service:                                 |                      |                     |                      |                     |                          |                      |
| Principal                                     | 876,525              | 7.1%                | 412,055              | 2.3%                | 464,470                  | 112.72%              |
| Interest                                      | 1,261,297            | 10.3%               | 1,219,539            | 6.8%                | 41,758                   | 3.42%                |
| Total expenditures and<br>other financing use | <u>\$ 12,300,344</u> | <u>100.0%</u>       | <u>\$ 18,069,276</u> | <u>100.0%</u>       | <u>\$ (5,768,932)</u>    | <u>-31.93%</u>       |

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of June 30, 2009, the Agency had an investment in capital assets of \$20,703,714 which includes \$2,042,385 in construction in progress. During the year ended June 30, 2009, the Agency completed the following projects:

- Kings Beach monument sign totaling \$323,186
- Auburn Plaza infrastructure project totaling \$4,928,508
- Environmental cleanup on a previously acquired parcel of land totaling \$328,457
- Land improvements totaling \$62,070 on the previously acquired Deer/Rainbow property which is planned for a future parking lot
- Acquired land in the Kings Beach area of North Lake Tahoe totaling \$922,718 with existing buildings valued at \$340,000
- Acquired land in the North Auburn area totaling \$816,164
- Expended \$1,128,490 on project costs for projects that are currently in progress
- Reconveyed property valued at \$650,000 to its original owner and wrote off \$1,936,072 of previously expended project costs due to project cancellations

For additional information, see Note E in the notes to the basic financial statements.

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**Long-Term Debt**

During the year, the Agency's long-term debt activity consisted of the following:

- Repayments of \$42,525 toward two of the Agency's three loans from California Infrastructure and Economic Development Bank (CIEDB)
- Repayments of \$425,000 on the Tax Allocation Bonds.
- Accrued \$28,768 of interest on the loan with the California Housing Finance Agency bringing the total accrued interest to date to \$145,332. The accrued interest is payable at maturity
- Increase of \$3,998 in the Agency's liability for compensated absences
- Amortized bond discounts by \$3,289 bringing the unamortized bond discount balance to (\$89,090)
- Restated the beginning balance of long-term debt by \$186,443 to recognize the Agency's pollution remediation obligation.

For additional information, see Note F in the notes to the basic financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The following factors were considered in preparing the Agency's budget for the 2009-2010 fiscal year:

During the upcoming budget year, the Agency will continue to focus its efforts on: (1) implementation of major commercial improvement projects in North Auburn; (2) multiple Community Enhancement Projects in Kings Beach; (3) core infrastructure improvement projects needed to encourage private investment in all three Project Areas; (4) commercial and housing rehabilitation loans; (5) property acquisition and management to facilitate future redevelopment projects; (6) promotion and assistance for providing increased affordable housing opportunities; and (7) active coordination with outside agencies, private property owners, developers, community organizations and funding agencies to leverage resources and strategically plan and implement community revitalization efforts.

To balance the State budget the Agency is required to make an Education Revenue Augmentation Fund (ERAF) shift to the State estimated to be 41% of gross FY 2009-2010 tax increment revenue. This taking of Agency funds is estimated to be \$3.2 million.

The FY 2009-2010 budget projects:

- Revenues budgeted in the amount of \$36,079,592 were projected as follows:
  - Tax increment (net of pass-through's to local agencies and the projected ERAF shift to the State) from the three project areas is projected to decrease from \$6,793,035 to \$4,646,454.
  - The carryover fund balance of \$29,104,252 represents a cancellation of prior year reserves and/or designations.
- Expenditures for FY 2009-2010 are for
  - A deposit of 20% of the net tax increment is budgeted in the Low and Moderate Income Special Revenue Fund in the amount of \$2,152,205.
  - The sum of \$13,193,164 is designated as reserves for future capital projects and \$2,586,311 for housing projects and program costs.
  - Capital project costs are estimated at \$14,581,624.
  - Housing project and program costs are estimated at \$5,718,493.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Senior Administrative Services Officer, Cindy Kelly, Placer County Redevelopment Agency, 3091 County Center Drive, Suite 260, Auburn, California 95603.

**BASIC FINANCIAL STATEMENTS –  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**REDEVELOPMENT AGENCY OF PLACER COUNTY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <hr/>   |                                    |
| <b>ASSETS</b>                                   |                                    |
| Cash and investments                            | \$ 29,127,836                      |
| Due from other governments                      | 261,159                            |
| Deposits held with others                       | 71,857                             |
| Notes receivable                                | 2,378,337                          |
| Deferred charges                                | 984,412                            |
| Capital assets:                                 |                                    |
| Nondepreciable                                  | 10,580,921                         |
| Depreciable                                     | 10,122,793                         |
| Total assets                                    | <u>53,527,315</u>                  |
| <br><b>LIABILITIES</b>                          |                                    |
| Accounts payable                                | 156,212                            |
| Accrued salaries and benefits                   | 112,149                            |
| Deposits held in trust                          | 24,522                             |
| Interest payable                                | 521,559                            |
| Long-term liabilities:                          |                                    |
| Due within one year                             | 589,793                            |
| Due in more than one year                       | 28,321,743                         |
| Total liabilities                               | <u>29,725,978</u>                  |
| <br><b>NET ASSETS</b>                           |                                    |
| Invested in capital assets, net of related debt | 6,896,147                          |
| Restricted for debt service                     | 1,239,084                          |
| Restricted for housing                          | 5,221,851                          |
| Unrestricted                                    | 10,444,255                         |
| Total net assets                                | <u><u>\$ 23,801,337</u></u>        |

The notes to the basic financial statements are an integral part of this statement.

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

|  | <b><u>Governmental<br/>Activities</u></b> |
|--|---|
| <b>REDEVELOPMENT AGENCY PROGRAM EXPENSES</b> |   |
| Governmental activities:                     |   |
| Housing                                      | \$ 1,137,639                              |
| Commercial development                       | 7,745,727                                 |
| Interest on long-term debt                   | <u>1,281,807</u>                          |
| Total program expenses                       | <u>10,165,173</u>                         |
| <b>PROGRAM REVENUE</b>                       |   |
| Intergovernmental contributions              | 80,083                                    |
| Rental                                       | 246,747                                   |
| Project loan repayments - interest           | <u>66,750</u>                             |
| Total program revenue                        | <u>393,580</u>                            |
| <b>NET PROGRAM EXPENSE</b>                   | <u>9,771,593</u>                          |
| <b>GENERAL REVENUE</b>                       |   |
| Property tax increment                       | 8,026,003                                 |
| Investment earnings                          | 984,253                                   |
| Miscellaneous                                | <u>153,506</u>                            |
| Total general revenue                        | <u>9,163,762</u>                          |
| Change in net assets                         | (607,831)                                 |
| Net assets, beginning of year, as restated   | <u>24,409,168</u>                         |
| Net assets, end of year                      | <u><u>\$ 23,801,337</u></u>               |

The notes to the basic financial statements are an integral part of this statement.

**BASIC FINANCIAL STATEMENTS –  
FUND FINANCIAL STATEMENTS**



**REDEVELOPMENT AGENCY OF PLACER COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

|  | <b>Low and Moderate<br/>Income Special<br/>Revenue Fund</b> | <b>Capital<br/>Projects Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---|----------------------------------|---|
| <b>Assets</b>  |   |                                  |   |
| Cash and investments                                 | \$ 5,682,939  | \$ 23,444,897                    | \$ 29,127,836                           |
| Due from other governments                           | -   | 261,159                          | 261,159                                 |
| Deposits held by others                              | 57,995  | 13,862                           | 71,857                                  |
| Notes receivable                                     | 1,606,792   | 771,545                          | 2,378,337                               |
| Total assets   | <u>\$ 7,347,726</u>   | <u>\$ 24,491,463</u>             | <u>\$ 31,839,189</u>                    |
| <b>Liabilities and Fund Balances</b>                 |   |                                  |   |
| <b>Liabilities:</b>                                  |   |                                  |   |
| Accounts payable                                     | \$ 29,032   | \$ 127,180                       | \$ 156,212                              |
| Accrued salaries and benefits                        | 38,980  | 73,169                           | 112,149                                 |
| Deposits held in trust                               | 21,322  | 3,200                            | 24,522                                  |
| Deferred revenue                                     | 1,606,792   | 771,545                          | 2,378,337                               |
| Total liabilities                                    | <u>1,696,126</u>  | <u>975,094</u>                   | <u>2,671,220</u>                        |
| <b>Fund balances:</b>                                |   |                                  |   |
| Reserved for debt service                            | 429,749   | 1,330,894                        | 1,760,643                               |
| Unreserved, designated for housing                   | 387,836   | -                                | 387,836                                 |
| Unreserved, designated for capital asset acquisition | -   | 7,089,549                        | 7,089,549                               |
| Unreserved, undesignated                             | 4,834,015   | 15,095,926                       | 19,929,941                              |
| Total fund balances                                  | <u>5,651,600</u>  | <u>23,516,369</u>                | <u>29,167,969</u>                       |
| Total liabilities and fund balances                  | <u>\$ 7,347,726</u>   | <u>\$ 24,491,463</u>             | <u>\$ 31,839,189</u>                    |

**RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS:**

Fund balances - from above \$ 29,167,969

Amounts reported for governmental activities in the statement of net  
assets are different because:

Deferred cost of issuance related to long-term debt reported in governmental activities  
are not financial resources and, therefore, are not reported in the funds 984,412

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds. 20,703,714

Notes receivable are long-term assets and are not available to pay for current period  
expenditures and, therefore, are deferred in the funds. 2,378,337

Some liabilities are not due and payable in the current period and, therefore,  
are not reported in the governmental funds:

|                                  |                  |
|----------------------------------|------------------|
| Tax allocation bonds payable     | (24,320,000)     |
| Bond discount                    | 89,090           |
| Loans payable                    | (4,439,651)      |
| Pollution remediation obligation | (186,443)        |
| Compensated absences             | (54,532)         |
| Interest payable                 | <u>(521,559)</u> |

**Net assets of governmental activities** \$ 23,801,337

The notes to the basic financial statements are an integral part of this statement.

**REDEVELOPMENT AGENCY OF PLACER COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

|   | <b>Low and Moderate<br/>Income Special<br/>Revenue Fund</b> | <b>Capital<br/>Projects Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---|----------------------------------|---|
| <b>Revenues:</b>                          |   |                                  |   |
| Taxes                                     | \$ 2,143,726  | \$ 5,882,277                     | \$ 8,026,003                            |
| Investment earnings                       | 176,375   | 807,878                          | 984,253                                 |
| Intergovernmental contributions           | 70,185  | 9,898                            | 80,083                                  |
| Rental                                    | 227,110   | 19,637                           | 246,747                                 |
| Project loan repayments - principal       | 360,527   | 7,603                            | 368,130                                 |
| Project loan repayments - interest        | 63,403  | 3,347                            | 66,750                                  |
| Other income                              | 152,501   | 1,005                            | 153,506                                 |
| Total revenues                            | <u>3,193,827</u>  | <u>6,731,645</u>                 | <u>9,925,472</u>                        |
| <b>Expenditures:</b>                      |   |                                  |   |
| Current:                                  |   |                                  |   |
| Administration and planning               | 958,038   | 1,434,448                        | 2,392,486                               |
| Payments to other agencies                | 179,601   | 3,522,775                        | 3,702,376                               |
| Project loans issued                      | 597,655   | 251,152                          | 848,807                                 |
| Capital outlay:                           |   |                                  |   |
| Real estate acquisitions                  | 812,077   | 1,259,477                        | 2,071,554                               |
| Project costs                             | 149,067   | 979,423                          | 1,128,490                               |
| Equipment                                 | 4,881   | 13,928                           | 18,809                                  |
| Debt service:                             |   |                                  |   |
| Principal                                 | 489,000   | 387,525                          | 876,525                                 |
| Interest                                  | 359,233   | 902,064                          | 1,261,297                               |
| Total expenditures                        | <u>3,549,552</u>  | <u>8,750,792</u>                 | <u>12,300,344</u>                       |
| Deficiency of revenues under expenditures | <u>(355,725)</u>  | <u>(2,019,147)</u>               | <u>(2,374,872)</u>                      |
| <b>Other financing sources:</b>           |   |                                  |   |
| Issuance of notes payable                 | <u>409,000</u>  | <u>-</u>                         | <u>409,000</u>                          |
| Net change in fund balances               | 53,275  | (2,019,147)                      | (1,965,872)                             |
| Fund balances, beginning of year          | <u>5,598,325</u>  | <u>25,535,516</u>                | <u>31,133,841</u>                       |
| Fund balances, end of year                | <u><u>\$ 5,651,600</u></u>                                  | <u><u>\$ 23,516,369</u></u>      | <u><u>\$ 29,167,969</u></u>             |

The notes to the basic financial statements are an integral part of this statement.

**REDEVELOPMENT AGENCY OF PLACER COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT  
OF ACTIVITIES:**

|  |                  |                  |
|--|------------------|------------------|
| Net change in fund balances (page 13)  | \$               | (1,965,872)      |
| <p>Long-term loan disbursements and repayments are reported in governmental funds as expenditures and revenues, as these represent the use of current financial resources. However, in the government-wide statements, such amounts are not reported as expenses and revenues, but instead, either increase or decrease long-term receivables, which does not effect net assets.</p> |                  |                  |
| Project loans issued   | 848,807          |                  |
| Project loan repayments - principal  | <u>(368,130)</u> | 480,677          |
| <p>In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. In the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.</p>  |                  |                  |
|  | ·                | (28,768)         |
| <p>In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities and, therefore, does not effect net assets.</p>   |                  |                  |
|  |                  | 876,525          |
| <p>The issuance of notes payable provides current financial resources to governmental funds. The issuance of notes payable, however, does not have any impact on net assets.</p>   |                  |                  |
|  |                  | (409,000)        |
| <p>Governmental funds report the effect of debt issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>   |                  |                  |
| Amortization of bond issuance costs and bond discount  |                  | (39,637)         |
| <p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>   |                  |                  |
| Capital outlay   |                  | 3,218,853        |
| Depreciation expense   |                  | (164,491)        |
| Loss on the disposal of capital assets reduces net assets.   |                  | (1,932,169)      |
| <p>Reconveyance of previously donated capital assets is not reported in the governmental funds. However, reconveyance of capital assets is reported in government-wide statements.</p>   |                  |                  |
|  |                  | (650,000)        |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>   |                  |                  |
| Change in interest payable   |                  | 11,547           |
| Change in compensated absences   |                  | (3,998)          |
| Project loan forgiveness   |                  | <u>(1,498)</u>   |
| Change in net assets (page 11)   | <u>\$</u>        | <u>(607,831)</u> |

The notes to the basic financial statements are an integral part of this statement.

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Reporting Entity

The Redevelopment Agency (Agency) of Placer County (County) was formed in April 1991 for the purpose of administering and financing the development of certain areas within the County. The Agency's Board of Directors is composed of the Board of Supervisors of the County. The Agency is therefore reported as a component unit of the County. The Agency has created three redevelopment project areas within the County, as follows: the North Lake Tahoe Redevelopment Project Area, established in July 1996; the Sunset Industrial Redevelopment Project Area, established in June 1997; and the North Auburn Redevelopment Project Area, established in June 1997.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the Agency's activities. The effect of interfund activity has been removed from these statements. The Agency is only engaged in governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 90 days of the end of the current fiscal year, except for property taxes which are considered available if collected within 60 days of the end of the fiscal year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, intergovernmental and investment earnings associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Agency receives cash.

When both restricted and unrestricted net assets are available, restricted resources are used first, then unrestricted resources as they are needed.

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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The Agency reports the following major governmental funds:

**Low and Moderate Income Special Revenue Fund** is used to account for the receipt of the mandated 20% set-aside of tax increment revenues, and loan and bond proceeds available to be used by the Agency for the purposes of increasing and improving the County's supply of housing for persons and families of low or moderate income. Expenditures from these funds are for expenditures for debt service requirements on bonds issued for redevelopment purposes, operations and housing projects and programs. The administrative and planning expenditures made from this fund are necessary for the production, improvement and preservation of low- and moderate-income housing.

**Capital Projects Fund** accounts for receipt of tax increment revenue, loan and bond proceeds, interest income on invested funds and certain miscellaneous income for each of the Agency's three redevelopment project areas. Expenditures from these funds are for expenditures for debt service requirements on bonds issued for redevelopment purposes, operations and capital projects.

Property Taxes

The Agency receives incremental property taxes on property within its project area over a base-assessed valuation on the date the project area was established. The County bills and collects property taxes and remits to the Agency its share of the amount levied net of pass-throughs. Property taxes are determined annually as of March 1 and attach as an enforceable lien on real property as of January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The County bills and collects property taxes and remits them to the Agency. The Agency participates in the County "Teeter Plan" method of property tax distribution. Under the Teeter Plan, the County remits property taxes to the Agency based upon assessments, not collections. Property tax revenue is recognized in the funds when it is available and measurable. The Agency considers property taxes as available if they are apportioned within 60 days after year-end.

The Agency has agreements with several agencies under which it must pass through a portion of property tax increments to the agencies. Taxes are stated net of the pass throughs to these agencies.

Notes Receivable

Notes receivable represent loans made for redevelopment, economic development, first-time homebuyer and property rehabilitation. A loan committee approves the loans and deferral of payments. The Agency defers the revenue associated with notes receivables.

Deferred Charges

Deferred charges represent bond issuance costs incurred from the issuance of the Tax Allocation Bonds. The debt issuance costs are amortized on the straight-line basis over the lives of the related debt. As of June 30, 2009 bond issuance costs were \$1,090,427 with accumulated amortization of \$106,015. Amortization expense for the year ended June 30, 2009 was \$36,348.

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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Capital Assets

The Agency's investment in capital assets includes land, infrastructure, buildings, equipment and construction in progress. Capital assets are recorded at historical cost. When purchasing a new asset, the cost is the amount paid for the asset. Donated capital assets are recorded at estimated fair value on the date of donation. Construction in progress costs are accumulated throughout the duration of the projects and are capitalized to the appropriate depreciable capital asset category at the earliest occurrence of:

- a. Execution of substantial completion contract documents,
- b. Occupancy, or
- c. When the asset is placed in service.

Standard capitalization thresholds for capitalizing assets have been established for each major class of assets as follows:

| <u>Asset Type</u> | <u>Capitalization Threshold</u> |
|-------------------|---------------------------------|
| Land              | Any                             |
| Infrastructure    | \$50,000                        |
| Buildings         | 50,000                          |
| Equipment         | 5,000                           |

Capital assets are depreciated using the straight-line method over the following estimated useful lives. Depreciation is not applicable while assets are accounted for as construction in progress.

|                            |                |
|----------------------------|----------------|
| Infrastructure             | 10 to 65 years |
| Buildings and improvements | 10 to 50 years |
| Equipment                  | 2 to 25 years  |

Compensated Absences

The Agency reports a liability for compensated absences that is attributable to services already rendered as of June 30, 2009 and that are not contingent on a specific event that is outside the control of the Agency, such as employee illness. This liability is based on the probability that the Agency will eventually compensate the employees for the benefits through paid time-off or some other means, such as annual leave cash-outs or cash payments at termination or retirement. The liability is calculated based on pay rates in effect as of June 30, 2009, in addition to those salary-related payments that are directly and incrementally associated with payments made for compensated absences on termination, such as Social Security and Medicare taxes.

All regular employees of the Agency earn paid vacations annually. The amount of vacation hours is based on the years of continuous service and the bargaining unit to which the employee belongs. Except for management employees, no more than 400 hours, or 520 hours after 10 continuous years of service, may be accumulated as of the last day of the first full pay period of each calendar year. Management employees can accumulate up to 520 hours. Also, regular employees are given credit for eight hours sick leave each month of employment with unlimited accumulation. Upon termination, employees are entitled to lump sum payment for accrued vacation and compensatory time off. With respect to sick leave, employees are entitled to either a lump sum payout not to exceed \$2,000 or additional retirement credits based on a formula. Based on prior history, the majority of employees opt for additional retirement credits, therefore, the Agency has not recorded a liability for any accrued sick leave. All compensated absences pay is accrued when incurred in the government-wide financial statements.

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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Net Assets

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets, net of related debt, restricted and unrestricted.

*Invested in capital assets, net of related debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

*Restricted net assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. As of June 30, 2009, the government-wide statement of net assets reported restricted net assets for debt service of \$1,239,084 and restricted net assets for housing of \$5,221,851, pursuant to the Health and Safety Code.

*Unrestricted net assets* – This category represents net assets of the Agency, not restricted for any project or other purpose.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that do not represent expendable available resources or are legally segregated for specific future uses and designations of fund balance for amounts that have been identified by the Board of Directors or management for specific purposes. The Agency has reserved \$1,760,643 for debt service payments; and has designated \$387,836 for housing projects and \$7,089,549 for capital improvements.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**B. IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARDS**

Effective July 1, 2008 the Agency implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued in November 2006. This Statement establishes accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The Statement establishes once any of five specified obligating events occurs, that a government is required to estimate the components of the expected pollution remediation outlays and determine whether the outlays for those components should be recorded as a liability or, if appropriate, capitalized when goods and services are acquired.

In accordance with GASB Statement No. 49, the Agency has restated its beginning net assets by \$186,443, to recognize the Agency's estimated pollution remediation obligation as of July 1, 2008. The District has included the related financial statement disclosures required by GASB Statement No. 49 in Note I.



**REDEVELOPMENT AGENCY OF PLACER COUNTY  
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**C. CASH AND INVESTMENTS**

Cash and investments reported in the accompanying financial statements consisted of the following:

|   |                     |
|---|---------------------|
| Cash and investments pooled with the County | \$29,110,049        |
| Cash and investments with Wells Fargo       | <u>17,787</u>       |
| Total Cash and investments                  | <u>\$29,127,836</u> |

Cash and investments shown on the statement of net assets and the balance sheet represent the Agency's share of the County Treasurer's cash and investment pool and its deposits with financial institutions. The Agency voluntarily participates in the County Treasurer's cash and investment pool. California Government Code Section 53600, et. seq., and the County investment policy authorizes the following investments: local agency bonds, U.S. Treasury securities, U.S. agency securities, bankers acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, corporate notes and the California Local Agency Investment Fund (LAIF). The County has an investment committee, which performs regulatory oversight for its pool in accordance with California Government Code Section 27133. Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. However, the value of the pool shares in the County, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the Agency's position in the pool.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's comprehensive annual financial report and may be obtained by contacting the County Auditor – Controller's Office at 2970 Richardson Drive, Dewitt Center, Auburn, California 95603.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3*, requires additional disclosures about a government's deposit and investment risks that include credit risk, custodial credit risk, concentration of credit risk and interest rate risk. The Agency does not have an investment policy that addresses these specific types of risk.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The weighted average to maturity of the County's external investment pool as of June 30, 2009 was 1,107 days.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Agency's investment in the County external investment pool is not rated.

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**Custodial Credit Risk and Concentration of Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Agency will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

- The California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool must equal at least 110% of the total amount deposited by public agencies; and
- The California Government Code also allows financial institutions to secure deposits by pledging first trust deed mortgage notes have a value of 150% of the governmental units total deposits.

As of June 30, 2009, the carrying amount and bank balance of the Agency's deposits were \$17,787, which are fully insured by federal depository insurance.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Agency's investment in a single issuer. The Agency is not exposed to custodial credit risk or concentration of credit risk for its investments as it participates in the County's external investment pool, and therefore is not subject to such risks.

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**D. NOTES RECEIVABLE**

The Agency has a notes receivable balance of \$2,378,337 consisting of the following classes of loans:

**SECURED DEVELOPMENT LOANS:** In the North Auburn Project Area, the Agency loaned the Auburn Court Apartments, a California Limited Partnership, \$39,000 of North Auburn Project Area Tax Increment funds for the payment of impact fees for a 60-unit affordable housing development adjacent to the Project Area.

The loan is non-interest bearing except in the event of default, and the principal payment has been deferred for fifty-five years. The note is secured by a deed of trust on the Auburn Court Apartments' fee interest in the property. The Agency also foreclosed on a secured note of \$229,057 with North Auburn Silver Bend, L.P., a California Limited Partnership (see Note L).

\$ 39,000

On July 23, 2007, the Agency authorized an Exclusive Negotiating Rights Agreement with BB, LLC, for the development of a mixed-use project in Kings Beach. Proposed uses include commercial, retail, for-sale housing units, and open-space pedestrian plazas. On June 19, 2008, a loan agreement, secured by commercial real property in Kings Beach in the amount of \$500,000 was signed. As of June 30, 2009, \$243,972 has been advanced.

243,972

**PARTIALLY SECURED DEVELOPMENT LOANS:** In the fiscal year ended June 30, 2008, a predevelopment loan in the amount of \$1,136,500 was established for the development of affordable housing in the Kings Beach area. This loan accrues interest at 2%, and is partially secured by a deed of trust on commercial real property in Solano County, valued at \$400,000. As of June 30, 2009, \$798,643 has been drawn down by the borrower, Domus Development, Inc. Of that amount, \$60,132 was funded from California Housing Finance Agency Loan funds. The remainder was funded from North Tahoe Tax Increment Housing.

798,643

**BUSINESS IMPROVEMENT LOANS:** Two amortized Business Improvement Loans (Potter \$31,204 and Riccardelli \$79,037) were made in 2007 the North Auburn Project Area, using North Auburn Project Area Tax Increment Funds.

110,241

**FAÇADE IMPROVEMENT LOANS:** In addition to six (6) existing commercial Façade Improvement Loans (Boards in Motion, \$15,592; Magnussen Dodge, \$97,431; Potter \$22,000; AMC Investments \$14,431; Oakfire LLC \$19,024; and Riccardelli \$33,054). A Façade Improvement Loan to Williams & Mauel Development Group, LLC in the amount of \$7,180 was made during the year ended June 30, 2009 in the North Auburn Project Area. All seven loans were made using North Auburn Project Area Tax Increment funds.

208,712

In the North Tahoe Project Area, using North Tahoe Tax Increment funds, two commercial Façade Improvement Loans (Sun 'n' Sand Lodge, \$15,000 and Davis-Gott Landholdings Commercial Building, \$60,000) were made during the year ended June 30 2005. Three additional Façade Improvement Loans were funded from this source during the year ended June 30, 2006: Moresi, Inc., in the amount of \$7,490; Sierra Luna, LLC, \$55,647; and WBBF, White Dog Properties, for \$21,427. An additional draw of \$55,041, was taken by WBBF, White Dog Properties during the year ended June 30, 2007. Also, for the year ending June 30, 2007, an escrow refund at the end of construction (\$1,490) was applied to the balance of the Sierra Luna loan. Per the terms of the promissory note, 60% of the Moresi, Inc. loan (\$4,494) has been forgiven as of June 30, 2009. Façade loans are incrementally forgiven and repayment is not anticipated unless title to the property changes prior to maturity of the note.

208,621

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**SECURED HOUSING LOANS:** Sunset Tax Increment Housing Set-Aside funds were utilized during the fiscal year ending June 2007, to fund a First Time Homebuyer Loan in the amount of \$125,000. In the year ended June 30, 2008, a housing rehabilitation loan was also made from this fund. The current balance of this loan after an escrow refund is \$46,489. During the year ended June 30, 2009, a housing rehabilitation loan in the amount of \$106,401 and two First Time Home Buyer loans in the amounts of \$56,650 and \$62,160 were made from this fund. Additionally, half of the Foothills Habitat for Humanity (Habitat) project to build two single-family dwellings was completed. Per the terms of the Agency's Loan Agreement with Habitat, the principal balance was reduced by one half to \$108,166. The forgiveness amount plus accrued interest was rolled into another First Time Homebuyer loan in the amount of \$114,282 for the qualified low-income purchaser of one completed Habitat dwelling. The second half of the Habitat loan will be repaid after completion of a second dwelling.

In the North Tahoe Tax Increment Housing Set-Aside Fund, during the year ended June 30, 2007, a First Time Home buyer loan in the amount of \$150,000 was made.

769,148

Total notes receivable

\$ 2,378,337

Notes receivable amounts primarily represent loans made for redevelopment, economic development and property rehabilitation. A committee appointed by the Agency Director approves loans and deferral of payments. The Agency uses the deferred method to record notes receivable taking the position that the Agency will not receive any payments for twenty to thirty years from funding.

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**E. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2009 was as follows:

|  | July 1, 2008  | Additions and<br>Transfers In | Deletions and<br>Transfers Out | June 30, 2009 |
|--|---------------|-------------------------------|--------------------------------|---------------|
| <b>Governmental activities:</b>              |               |                               |                                |               |
| Capital assets, not being depreciated:       |               |                               |                                |               |
| Land   | \$ 7,453,784  | \$ 1,738,882                  | \$ (654,130)                   | \$ 8,538,536  |
| Construction in progress                     | 8,496,186     | 1,128,490                     | (7,582,291)                    | 2,042,385     |
| Total capital assets not being depreciated   | 15,949,970    | 2,867,372                     | (8,236,421)                    | 10,580,921    |
| Capital assets, being depreciated:           |               |                               |                                |               |
| Land improvements                            | -             | 713,714                       | -                              | 713,714       |
| Buildings and improvements                   | 1,956,049     | 340,000                       | -                              | 2,296,049     |
| Equipment                                    | 5,470         | 23,512                        | -                              | 28,982        |
| Infrastructure                               | 2,446,068     | 4,928,507                     | -                              | 7,374,575     |
| Total capital assets being depreciated       | 4,407,587     | 6,005,733                     | -                              | 10,413,320    |
| Less accumulated depreciation for:           |               |                               |                                |               |
| Building and improvements                    | -             | (39,121)                      | -                              | (39,121)      |
| Equipment                                    | (4,968)       | (2,794)                       | -                              | (7,762)       |
| Infrastructure                               | (121,068)     | (122,576)                     | -                              | (243,644)     |
| Total accumulated depreciation               | (126,036)     | (164,491)                     | -                              | (290,527)     |
| Total capital assets, being depreciated, net | 4,281,551     | 5,841,242                     | -                              | 10,122,793    |
| Capital assets, net                          | \$ 20,231,521 | \$ 8,708,614                  | \$ (8,236,421)                 | \$ 20,703,714 |

Depreciation expense of \$164,491 was charged to the Commercial Development function of the Agency.

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**F. LONG-TERM LIABILITIES**

Long-term debt activity for the year ended June 30, 2009 was as follows:

|   | July 1, 2008<br>as restated | Additions         | Reductions          | June 30, 2009        | Due Within<br>One Year |
|---|-----------------------------|-------------------|---------------------|----------------------|------------------------|
| <b>Governmental Activities:</b>   |                             |                   |                     |                      |                        |
| California Housing Finance Agency                                       | \$ 958,923                  | \$ -              | \$ -                | \$ 958,923           | \$ -                   |
| California Housing Finance Agency<br>(accrued interest due at maturity) | 116,564                     | 28,768            | -                   | 145,332              | -                      |
| Note Payable  | -                           | 409,000           | (409,000)           | -                    | -                      |
| Wells Fargo   | 500,000                     | -                 | -                   | 500,000              | -                      |
| Wells Fargo   | 600,000                     | -                 | -                   | 600,000              | -                      |
| California Infrastructure<br>and Economic Bank                          | 298,099                     | -                 | (7,270)             | 290,829              | 7,492                  |
| California Infrastructure<br>and Economic Bank                          | 1,500,000                   | -                 | (35,255)            | 1,464,745            | 36,291                 |
| California Infrastructure<br>and Economic Bank                          | 479,822                     | -                 | -                   | 479,822              | 10,761                 |
| Series A Tax Allocation Bond  | 15,500,000                  | -                 | (280,000)           | 15,220,000           | 295,000                |
| Series B Tax Allocation Bond  | 3,455,000                   | -                 | (65,000)            | 3,390,000            | 70,000                 |
| Series C Tax Allocation Bond  | 5,790,000                   | -                 | (80,000)            | 5,710,000            | 85,000                 |
| Bond Discount   | (92,379)                    | -                 | 3,289               | (89,090)             | (3,289)                |
| Pollution Remediation Obligation  | 186,443                     | -                 | -                   | 186,443              | 83,085                 |
| Compensated Absences  | 50,534                      | 69,798            | (65,800)            | 54,532               | 5,453                  |
|   |                             |                   |                     |                      |                        |
| Long-term liabilities   | <u>\$ 29,343,006</u>        | <u>\$ 507,566</u> | <u>\$ (939,036)</u> | <u>\$ 28,911,536</u> | <u>\$ 589,793</u>      |

During the year ended June 30, 2004, the Redevelopment Agency of Placer County (the Agency) entered into a loan agreement with the California Housing Finance Agency (CHFA) in the amount of \$1,500,000, for the construction of multi-family housing. The loan has an interest rate of 3% per annum and matures on October 2, 2012. As of June 30, 2009 the Agency had drawn down \$958,923 of the \$1,500,000 amount available. No repayment of principal or interest is due until the maturity date.

During the year ended June 30, 2005, the Agency entered into a loan agreement with Wells Fargo Bank in the amount of \$500,000. The proceeds were used for the purchase of land to be used in the construction of the Minnow Avenue Parking Lot in Kings Beach, which is located in the North Tahoe Project Area. The loan has an interest rate of 2% per annum and matures on September 7, 2009. No principal repayment is due until five years after the maturity date.

During the year ended June 30, 2006, the Agency entered into a loan agreement with the California Infrastructure and Economic Development Bank (CIEDB) in the amount of \$312,000. The loan has an interest rate of 3.05% per annum and matures on August 1, 2034. The proceeds were used for the construction of the Brook Avenue parking lot. As of June 30, 2009 the outstanding loan balance was \$290,829

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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During the year ended June 30, 2007, the Agency entered into a loan agreement with Wells Fargo Bank in the amount of \$600,000. The loan has an interest rate of 2.00% per annum and matures on May 8, 2012. No principal repayment is due until the maturity date. The proceeds were applied to the purchase of 8776-8774 North Lake Boulevard in Kings Beach, a property which is part of an environmental cleanup project.

The Agency also entered into a loan agreement, during the year ended June 30, 2007, with the CIEDB in the amount of \$1,500,000, to be used as partial financing of the Auburn Plaza Project, in the North Auburn Project Area. The Agency drew down the available \$1,500,000 with CIEDB during the year ended June 30, 2008. This loan has an interest rate of 2.94% and matures on August 1, 2035. Principal and interest payments are secured by a pledge of property tax revenue.

During the year ended June 30, 2007, the Agency issued three separate issues of tax allocation bonds, which include the North Lake Tahoe Redevelopment Project, 2006 Series A in the principal amount of \$ 15,765,000, the North Auburn Redevelopment Project, Series B in the principal amount of \$3,520,000 and Housing Projects, Series C, in the principal amount of \$5,865,000. Interest rates range from 3.6% to 6.2%. Semi-annual interest payments are due on February 1 and August 1. Principal payments are due August 1. Principal and interest payments are payable solely from and secured by a pledge of property tax revenue. Proceeds from the sale of the bonds are being used to finance the redevelopment activities within and for the benefit of the North Lake Tahoe and North Auburn redevelopment project areas and to finance low and moderate income housing activities of the Agency.

During the year ended June 30, 2008, the Agency entered into an additional loan agreement with the CIEDB in the amount of \$479,822. This note has an interest rate of 2.91% and matures on September 1, 2037. Loan proceeds were used for the Minnow Avenue Parking Lot Project in Kings Beach, which was completed on October 17, 2007.

On November 4, 2008, the Agency took possession of a North Auburn property through foreclosure (see "Note M Defaulted Loans"), and assumed responsibility for the repayment of a first trust deed in the amount of \$409,000 that had also been defaulted on by the borrower. On December 23, 2008, the note was repaid and the property subsequently fully conveyed to the Agency.

**Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. The Agency utilized an independent consultant to perform calculations of excess investment earnings on their tax exempt bonds during 2009 and did not incur a liability.

**REDEVELOPMENT AGENCY OF PLACER COUNTY**  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

The following is a schedule of total debt service requirements to maturity as of June 30, 2009 for the Agency:

| Year Ending<br>June 30, | Unsecured Notes Payable |                   | Secured Notes Payable |                     | Tax Allocation Bonds |                      |
|-------------------------|-------------------------|-------------------|-----------------------|---------------------|----------------------|----------------------|
|                         | Principal               | Interest          | Principal             | Interest            | Principal            | Interest             |
| 2010                    | \$ -                    | \$ 22,000         | \$ 54,544             | \$ 65,092           | \$ 450,000           | \$ 1,169,006         |
| 2011                    | -                       | 22,000            | 56,152                | 63,460              | 465,000              | 1,149,368            |
| 2012                    | 600,000                 | 22,000            | 57,808                | 61,780              | 485,000              | 1,128,930            |
| 2013                    | 958,923                 | 248,907           | 59,513                | 60,049              | 505,000              | 1,107,564            |
| 2014                    | -                       | 10,000            | 61,268                | 58,268              | 530,000              | 1,085,168            |
| 2015-2019               | 500,000                 | 1,915             | 334,536               | 262,732             | 2,980,000            | 5,051,560            |
| 2020-2024               | -                       | -                 | 386,867               | 209,630             | 3,735,000            | 4,280,894            |
| 2025-2029               | -                       | -                 | 447,385               | 148,219             | 4,725,000            | 3,262,386            |
| 2030-2034               | -                       | -                 | 517,372               | 77,200              | 6,035,000            | 1,924,976            |
| 2035-2037               | -                       | -                 | 259,951               | 10,198              | 4,410,000            | 345,403              |
|                         | <u>\$ 2,058,923</u>     | <u>\$ 326,822</u> | <u>\$ 2,235,396</u>   | <u>\$ 1,016,628</u> | <u>\$ 24,320,000</u> | <u>\$ 20,505,255</u> |

**G. OPERATING LEASE OBLIGATION**

The Agency leases real estate under a non-cancelable operating lease for the operation of the Jackpine Public Parking lot. Future minimum rental payments under this operating lease term in excess of one year as of June 30, 2009 are summarized as follows:

| Year Ending<br>June 30, |                     |
|-------------------------|---------------------|
| 2010                    | \$ 45,256           |
| 2011                    | 46,388              |
| 2012                    | 47,548              |
| 2013                    | 48,736              |
| 2014                    | 49,955              |
| 2015-2019               | 269,142             |
| 2020-2024               | 304,509             |
| 2025-2029               | 344,524             |
| 2030-2034               | 389,798             |
| 2035                    | 83,903              |
|                         | <u>\$ 1,629,759</u> |

Rents for this operating lease have been recorded in the Capital Projects Fund. Total rental expenditures under operating leases for the year ended June 30, 2009 were \$44,153.



**REDEVELOPMENT AGENCY OF PLACER COUNTY  
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**H. PLEDGED REVENUES**

The Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Redevelopment Agency Low and Moderate Income Housing Fund for the repayment of the 2006 Series A and 2006 Series B Tax Allocation Bonds, the proceeds of which are to be used to finance redevelopment activities within and for the benefit of the North Lake Tahoe and North Auburn redevelopment project areas and to finance low and moderate income housing activities of the Agency. The Agency has pledged all future tax revenues required to be set aside in the Redevelopment Agency Low and Moderate Income Housing Fund for the repayment of the 2006 Series C Tax Allocation Bonds. Series A, B, and C Tax Allocation Bonds are considered senior parity obligations. The pledge of future tax increment revenues ends upon repayment of principal and interest in the amount of \$44,825,255 in 2037. For the year ended June 30, 2009, principal and interest paid and total property tax increment revenues were \$1,612,708 and \$8,026,003, respectively.

The CIEDB loans are secured by total taxes eligible for allocation to the Agency with respect to the Project Areas pursuant to the most recent completed fiscal year including gross tax increment revenues and all deductions for payment to the Redevelopment Agency Low and Moderate Income Housing Fund and pass-through payments. The proceeds received from the CIEDB loans were used for the Brook Avenue parking lot, Minnow Avenue parking lot, and Auburn Plaza projects. The pledge of tax increment revenues totals \$3,252,024, which equals the total principal and interest payments outstanding on the loan, and ends upon the repayment of the outstanding loans in September 2037. For the year ended June 30, 2009, principal and interest paid and total property tax increment revenues were \$110,216 and \$8,026,003, respectively.

**I. POLLUTION REMEDIATION OBLIGATIONS**

The Agency is obligated to the environmental assessment and remediation activities on two projects. The nature and source of pollutants on the former Swiss Mart Gas Station located at 8797 North Lake Boulevard in Kings Beach project are concentrations of TPHg, benzene and MTBE. Post remediation activities on the site consist of two additional quarters of groundwater monitoring estimated at \$99,000 to destroy all wells assuming site closure can be obtained from the Lahontan Regional Water Quality Board. The nature and source of pollutants of the former Ronning Service Station property located at 8784 North Lake Boulevard are concentrations of TPHg and benzene. Costs for continued semi-annual groundwater monitoring are \$20,243 and the cost of a corrective action plan is estimated at \$67,200. Total remediation costs of these projects total \$186,443, which were derived by staff and environmental remediation consultants. The estimated costs are recorded as long-term liabilities in the statement of net assets.

The Agency's beginning net assets have been restated for the purpose of recognizing the estimated pollution remediation liability as of July 1, 2008.

**J. RISK MANAGEMENT**

The County is a member of the California State Association of Counties (CSAC) and one of the benefits is that they offer commercial coverage to small public legal entities that are created to work exclusively for a County. The Placer County Redevelopment Agency is eligible to participate in the Special Liability Insurance Program (SLIP) since they meet this definition. The Agency participates in the SLIP which provides primary commercial liability coverage. The Agency and the County are separate legal entities. The Agency has the following coverage through a primary insurance policy with Everest Indemnity Insurance Company. They are a best rated A+, Superior Category XV with a greater than \$2 billion surplus reserve. The Agency's limits are \$5,000,000 for General Liability with a \$1,000 deductible, \$5,000,000 for Public Officials Errors and Omissions with a \$2,500 deductible. The Agency's rental properties are covered for property damage, fire, and general liability.

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(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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Agency employees are County employees and are covered by the County of Placer's Workers' Compensation Self Insurance Program and excess insurance policy. The limits are \$50,000,000 with a \$300,000 self insured retention.

The Agency has no open liability claims or pending litigation. The Agency does have workers compensation claims that are managed through the County self-insurance program.

**K. RELATED PARTY**

The County provides a variety of services to the Agency including management, accounting, and legal services, as well as providing services specific to redevelopment projects. The following significant transactions were made during the year ended June 30, 2009: 1) the Agency paid approximately \$1,668,000 in salaries and wages to County employees allocated to the Agency and \$1,105,025 for County support services.

The Agency contributed \$2,500,000 toward the County's Hwy 65 Interchange Project, \$407,467 toward the Tahoe City Transit Center, \$290,384 toward the Auburn Siphon Relief Project and \$20,221 to support the County's Grants and Loans Program.

**L. DEFAULTED LOANS**

During the year ended June 30, 2008, an outstanding unsecured note receivable of \$128,785 was in default; this amount was sent to the County Revenue Services Division for collection and was written off. A second note secured by a deed of trust for \$229,057 was in default and was the subject of a foreclosure action. The two loans were made to a Development Corporation and a Limited Partnership that were separate legal entities but were operated by the same developer. In September 2008, an agreement was reached with the developer whereby \$150,000 would be paid to the Agency and property appraised at \$1,273,000 would also be transferred to the Agency in exchange for the release of the foreclosure action on the secured note of \$229,057 and settlement of litigation on the unsecured note of \$128,785. The Agency was required to pay delinquent taxes on the subject property of approximately \$5,000 and assumed responsibility for a first deed of trust to another lender in the amount of \$409,000. On November 6, 2008, escrow was closed and title to the property was transferred to the Agency. On December 23, 2008, the first deed of trust was paid by the Agency and the first lender's security lien was released.

**M. COMMITMENTS**

Exclusive Negotiating Rights Agreement – Domus Development, LLC:

On July 23, 2007 the Redevelopment Agency entered into an Exclusive Negotiating Rights Agreement and a related Pre-Development Loan Agreement in an amount not to exceed \$1,136,500 with Domus Development LLC to construct scattered affordable housing sites in Kings Beach. As of June 30, 2009, Domus Development had a note balance of \$798,643 that is disclosed in Note D.

Exclusive Negotiating Rights Agreement – BB, LLC:

On July 23, 2007, the Redevelopment Agency entered into an Exclusive Negotiating Rights Agreement and a related Pre-Development Loan Agreement in an amount not to exceed \$500,000. for the development of a mixed-use project in Kings Beach. Proposed uses include commercial, retail, for-sale housing units, and open-space pedestrian plazas. As of June 30, 2009, \$243,972 has been advanced as disclosed in Note D.

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**N. SUBSEQUENT EVENTS**

On July 29, 2009 the Governor approved Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift is approximately \$3,190,278 in fiscal year 2009-2010 and \$656,822 in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. The Agency can use any available funds to make the SERAF payment, however, any Housing Funds borrowed to make the May 10, 2010 payment must repaid by June 30, 2015. In response to AB 26 4x, the Agency intends to make 71% of the payments from the North Tahoe Plan Area's and 29% from the Sunset Industrial Area's 80% gross allocation of Tax Increment.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. CRA filed its lawsuit on October 20, 2009. The lawsuit asserts that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserts impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
LOW AND MODERATE INCOME SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

|  | <u>Budgeted Amounts</u> |                       | <u>Actual Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|-----------------------|-----------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>          |                       |                                       |
| <b>Revenues:</b>                             |                         |                       |                       |                                       |
| Taxes  | \$ 1,908,223            | \$ 2,055,282          | \$ 2,143,726          | \$ 88,444                             |
| Investment earnings                          | -                       | -                     | 176,375               | 176,375                               |
| Intergovernmental contributions              | -                       | -                     | 70,185                | 70,185                                |
| Rental                                       | -                       | -                     | 227,110               | 227,110                               |
| Loan repayments - principal                  | -                       | -                     | 360,527               | 360,527                               |
| Loan repayments - interest                   | -                       | -                     | 63,403                | 63,403                                |
| Other income                                 | -                       | -                     | 152,501               | 152,501                               |
| Total revenues                               | <u>1,908,223</u>        | <u>2,055,282</u>      | <u>3,193,827</u>      | <u>1,138,545</u>                      |
| <b>Expenditures:</b>                         |                         |                       |                       |                                       |
| Current:                                     |                         |                       |                       |                                       |
| Administration and planning                  | 1,042,767               | 1,055,706             | 958,038               | 97,668                                |
| Payments to other agencies                   | 122,423                 | 131,623               | 179,601               | (47,978)                              |
| Project loans issued                         | 4,262,034               | 4,024,844             | 597,655               | 3,427,189                             |
| Capital outlay:                              |                         |                       |                       |                                       |
| Real estate acquisitions                     | 66,251                  | 867,778               | 812,077               | 55,701                                |
| Project costs                                | 113,400                 | 81,173                | 149,067               | (67,894)                              |
| Equipment                                    | -                       | -                     | 4,881                 | (4,881)                               |
| Debt service:                                |                         |                       |                       |                                       |
| Principal                                    | 80,000                  | 80,000                | 489,000               | (409,000)                             |
| Interest                                     | 349,452                 | 349,452               | 359,233               | (9,781)                               |
| Total expenditures                           | <u>6,036,327</u>        | <u>6,590,576</u>      | <u>3,549,552</u>      | <u>3,041,024</u>                      |
| Deficiency of revenues under<br>expenditures | <u>(4,128,104)</u>      | <u>(4,535,294)</u>    | <u>(355,725)</u>      | <u>(4,179,569)</u>                    |
| <b>Other financing sources:</b>              |                         |                       |                       |                                       |
| Issuance of notes payable                    | -                       | -                     | 409,000               | 409,000                               |
| Transfers in                                 | 6,840                   | 102,852               | -                     | (102,852)                             |
| Total other financing sources (uses)         | <u>6,840</u>            | <u>102,852</u>        | <u>409,000</u>        | <u>306,148</u>                        |
| Net change in fund balance                   | <u>\$ (4,121,264)</u>   | <u>\$ (4,432,442)</u> | <u>53,275</u>         | <u>\$ (3,873,421)</u>                 |
| Fund balance, beginning of year              |                         |                       | <u>5,598,325</u>      |                                       |
| Fund balance, end of year                    |                         |                       | <u>\$ 5,651,600</u>   |                                       |

The note to required supplementary information is an integral part of this schedule.

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2009**

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**A. BUDGETARY POLICIES**

The Agency follows these procedures in establishing the budgetary data reflected in the schedule of revenues, expenditures and changes in fund balance – budget and actual – low and moderate income special revenue fund:

1. The Agency Redevelopment Director submits to the Redevelopment Agency Board (the Board) no later than June 30 of each year, a proposed budget for the fiscal year commencing the following July 1. The budget identifies expected sources of revenue and recommended program and capital expenditure and reserve uses for the next fiscal year.
2. A Final Budget is submitted for consideration and adoption by September 30<sup>th</sup> of each year.
3. The Board reviews the proposed budget at specially scheduled sessions that are open to the public.
4. The budget is legally enacted through passage of a resolution.
5. The budget for the low and moderate income special revenue fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Budgeted amounts are reflected for the original and final budget.
7. Budgetary control is exercised at the budget unit level, which is the same as the fund level for the Agency. All amendments or transfers of appropriations are approved by the Agency's board.

## **OTHER SUPPLEMENTARY INFORMATION**

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
BALANCE SHEET BY PROJECT AREA  
LOW AND MODERATE INCOME SPECIAL REVENUE FUND  
JUNE 30, 2009**

|   | <u>North<br/>Lake Tahoe</u> | <u>North<br/>Auburn</u> | <u>Sunset<br/>Industrial</u> | <u>Total</u>        |
|---|-----------------------------|-------------------------|------------------------------|---------------------|
| <b>Assets</b>                               |                             |                         |                              |                     |
| Cash and investments                        | \$ 3,139,809                | \$ 2,277,747            | \$ 265,383                   | \$ 5,682,939        |
| Deposits held with others                   | 57,995                      | -                       | -                            | 57,995              |
| Notes receivable                            | 948,643                     | 39,000                  | 619,149                      | 1,606,792           |
| Total assets                                | <u>\$ 4,146,447</u>         | <u>\$ 2,316,747</u>     | <u>\$ 884,532</u>            | <u>\$ 7,347,726</u> |
| <b>Liabilities and Fund Balances</b>        |                             |                         |                              |                     |
| <b>Liabilities:</b>                         |                             |                         |                              |                     |
| Accounts payable                            | \$ 17,853                   | \$ 370                  | \$ 10,809                    | \$ 29,032           |
| Accrued salaries and benefits               | 27,599                      | 5,163                   | 6,218                        | 38,980              |
| Deposits held in trust                      | 21,322                      | -                       | -                            | 21,322              |
| Deferred revenue                            | 948,643                     | 39,000                  | 619,149                      | 1,606,792           |
| Total liabilities                           | <u>1,015,417</u>            | <u>44,533</u>           | <u>636,176</u>               | <u>1,696,126</u>    |
| <b>Fund balances:</b>                       |                             |                         |                              |                     |
| Reserved for debt service                   | 260,084                     | 67,986                  | 101,679                      | 429,749             |
| Unreserved, designated for housing projects | 387,836                     | -                       | -                            | 387,836             |
| Unreserved, undesignated                    | 2,483,110                   | 2,204,228               | 146,677                      | 4,834,015           |
| Total fund balances                         | <u>3,131,030</u>            | <u>2,272,214</u>        | <u>248,356</u>               | <u>5,651,600</u>    |
| Total liabilities and fund balances         | <u>\$ 4,146,447</u>         | <u>\$ 2,316,747</u>     | <u>\$ 884,532</u>            | <u>\$ 7,347,726</u> |



**REDEVELOPMENT AGENCY OF PLACER COUNTY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BY PROJECT AREA**  
**LOW AND MODERATE INCOME SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

|  | <b>North<br/>Lake Tahoe</b> | <b>North<br/>Auburn</b> | <b>Sunset<br/>Industrial</b> | <b>Total</b>        |
|--|-----------------------------|-------------------------|------------------------------|---------------------|
| <b>Revenues:</b>   |                             |                         |                              |                     |
| Taxes  | \$ 1,329,134                | \$ 293,056              | \$ 521,536                   | \$ 2,143,726        |
| Investment earnings  | 88,637                      | 82,276                  | 5,462                        | 176,375             |
| Intergovernmental contributions                              | 65,203                      | 4,982                   | -                            | 70,185              |
| Rental   | 227,110                     | -                       | -                            | 227,110             |
| Loan repayments - principal                                  | -                           | 229,057                 | 131,470                      | 360,527             |
| Loan repayments - interest                                   | -                           | 57,286                  | 6,117                        | 63,403              |
| Other income   | 103,586                     | 48,915                  | -                            | 152,501             |
| Total revenues   | <u>1,813,670</u>            | <u>715,572</u>          | <u>664,585</u>               | <u>3,193,827</u>    |
| <b>Expenditures:</b>   |                             |                         |                              |                     |
| Current:   |                             |                         |                              |                     |
| Administration and planning                                  | 521,866                     | 165,568                 | 270,604                      | 958,038             |
| Payments to other agencies                                   | 135,456                     | 33,411                  | 10,734                       | 179,601             |
| Project loans issued   | 257,991                     | -                       | 339,664                      | 597,655             |
| Capital outlay:  |                             |                         |                              |                     |
| Real estate acquisitions                                     | (4,087)                     | 816,164                 | -                            | 812,077             |
| Project costs  | 149,067                     | -                       | -                            | 149,067             |
| Equipment  | 2,993                       | 662                     | 1,226                        | 4,881               |
| Debt service:  |                             |                         |                              |                     |
| Principal  | 48,448                      | 421,696                 | 18,856                       | 489,000             |
| Interest   | 211,628                     | 65,239                  | 82,366                       | 359,233             |
| Total expenditures   | <u>1,323,362</u>            | <u>1,502,740</u>        | <u>723,450</u>               | <u>3,549,552</u>    |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>490,308</u>              | <u>(787,168)</u>        | <u>(58,865)</u>              | <u>(355,725)</u>    |
| <b>Other financing sources (uses):</b>                       |                             |                         |                              |                     |
| Issuance of notes payable                                    | -                           | 409,000                 | -                            | 409,000             |
| Transfers in   | -                           | 4,006                   | -                            | 4,006               |
| Transfers out  | (4,006)                     | -                       | -                            | (4,006)             |
| Total other financing sources (uses)                         | <u>(4,006)</u>              | <u>413,006</u>          | <u>--</u>                    | <u>409,000</u>      |
| Net change in fund balances                                  | 486,302                     | (374,162)               | (58,865)                     | 53,275              |
| Fund balances, beginning of year, as restated                | <u>2,644,728</u>            | <u>2,646,376</u>        | <u>307,221</u>               | <u>5,598,325</u>    |
| Fund balances, end of year                                   | <u>\$ 3,131,030</u>         | <u>\$ 2,272,214</u>     | <u>\$ 248,356</u>            | <u>\$ 5,651,600</u> |

**REDEVELOPMENT AGENCY OF PLACER COUNTY  
BALANCE SHEET BY PROJECT AREA  
CAPITAL PROJECTS FUND  
JUNE 30, 2009**

|   | <b>North<br/>Lake Tahoe</b> | <b>North<br/>Auburn</b> | <b>Sunset<br/>Industrial</b> | <b>Total</b>         |
|---|-----------------------------|-------------------------|------------------------------|----------------------|
| <b>Assets</b>                                   |                             |                         |                              |                      |
| Cash and investments                            | \$ 17,127,594               | \$ 2,821,457            | \$ 3,495,846                 | \$ 23,444,897        |
| Due from other governments                      | -                           | 261,159                 | -                            | 261,159              |
| Deposits held with others                       | 13,862                      | -                       | -                            | 13,862               |
| Notes receivable                                | 452,593                     | 318,952                 | -                            | 771,545              |
| Total assets                                    | <u>\$ 17,594,049</u>        | <u>\$ 3,401,568</u>     | <u>\$ 3,495,846</u>          | <u>\$ 24,491,463</u> |
| <b>Liabilities and Fund Balances</b>            |                             |                         |                              |                      |
| <b>Liabilities:</b>                             |                             |                         |                              |                      |
| Accounts payable                                | \$ 101,319                  | \$ 24,131               | \$ 1,730                     | \$ 127,180           |
| Accrued salaries and benefits                   | 48,135                      | 13,261                  | 11,773                       | 73,169               |
| Deposits held in trust                          | 3,200                       | -                       | -                            | 3,200                |
| Deferred revenue                                | 452,593                     | 318,952                 | -                            | 771,545              |
| Total liabilities                               | <u>605,247</u>              | <u>356,344</u>          | <u>13,503</u>                | <u>975,094</u>       |
| <b>Fund balances:</b>                           |                             |                         |                              |                      |
| Reserved for debt service                       | 1,034,913                   | 295,981                 | -                            | 1,330,894            |
| Unreserved, designated for capital improvements | 4,809,370                   | 540,697                 | 1,739,482                    | 7,089,549            |
| Unreserved, undesignated                        | 11,144,519                  | 2,208,546               | 1,742,861                    | 15,095,926           |
| Total fund balances                             | <u>16,988,802</u>           | <u>3,045,224</u>        | <u>3,482,343</u>             | <u>23,516,369</u>    |
| Total liabilities and fund balances             | <u>\$ 17,594,049</u>        | <u>\$ 3,401,568</u>     | <u>\$ 3,495,846</u>          | <u>\$ 24,491,463</u> |

**REDEVELOPMENT AGENCY OF PLACER COUNTY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BY PROJECT AREA**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

|   | <u>North<br/>Lake Tahoe</u> | <u>North<br/>Auburn</u> | <u>Sunset<br/>Industrial</u> | <u>Total</u>         |
|---|-----------------------------|-------------------------|------------------------------|----------------------|
| <b>Revenues:</b>                          |                             |                         |                              |                      |
| Taxes                                     | \$ 3,587,762                | \$ 821,783              | \$ 1,472,732                 | \$ 5,882,277         |
| Investment earnings                       | 565,922                     | 106,635                 | 135,321                      | 807,878              |
| Intergovernmental contributions           | -                           | 9,898                   | -                            | 9,898                |
| Rental                                    | 19,637                      | -                       | -                            | 19,637               |
| Loan repayments - principal               | -                           | 7,603                   | -                            | 7,603                |
| Loan repayments - interest                | -                           | 3,347                   | -                            | 3,347                |
| Other revenues                            | 3                           | 1,001                   | 1                            | 1,005                |
|   | <u>4,173,324</u>            | <u>950,267</u>          | <u>1,608,054</u>             | <u>6,731,645</u>     |
| <b>Total revenues</b>                     |                             |                         |                              |                      |
| <b>Expenditures:</b>                      |                             |                         |                              |                      |
| Current:                                  |                             |                         |                              |                      |
| Administration and planning               | 1,014,529                   | 243,117                 | 176,802                      | 1,434,448            |
| Intergovernmental                         | 618,246                     | 350,284                 | 2,554,245                    | 3,522,775            |
| Project loans issued                      | 243,972                     | 7,180                   | -                            | 251,152              |
| Capital outlay:                           |                             |                         |                              |                      |
| Real estate acquisitions                  | 1,259,477                   | -                       | -                            | 1,259,477            |
| Project costs                             | 545,795                     | 433,628                 | -                            | 979,423              |
| Equipment                                 | 8,563                       | 1,874                   | 3,491                        | 13,928               |
| Debt service:                             |                             |                         |                              |                      |
| Principal                                 | 287,270                     | 100,255                 | -                            | 387,525              |
| Interest                                  | 730,875                     | 171,189                 | -                            | 902,064              |
|   | <u>4,708,727</u>            | <u>1,307,527</u>        | <u>2,734,538</u>             | <u>8,750,792</u>     |
| <b>Total expenditures</b>                 |                             |                         |                              |                      |
| Deficiency of revenues under expenditures | <u>(535,403)</u>            | <u>(357,260)</u>        | <u>(1,126,484)</u>           | <u>(2,019,147)</u>   |
| Net change in fund balances               | (535,403)                   | (357,260)               | (1,126,484)                  | (2,019,147)          |
| Fund balances, beginning of year          | <u>17,524,205</u>           | <u>3,402,484</u>        | <u>4,608,827</u>             | <u>25,535,516</u>    |
| Fund balances, end of year                | <u>\$ 16,988,802</u>        | <u>\$ 3,045,224</u>     | <u>\$ 3,482,343</u>          | <u>\$ 23,516,369</u> |

## **OTHER REPORT**



**MACIAS GINI & O'CONNELL LLP**  
Certified Public Accountants & Management Consultants

SACRAMENTO  
3000 S Street, Suite 300  
Sacramento, CA 95816  
916.928.4600

WALNUT CREEK

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

To the Board of Directors  
Redevelopment Agency of  
Placer County  
Auburn, California

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
(INCLUDING THE PROVISIONS CONTAINED IN THE *GUIDELINES FOR  
COMPLIANCE AUDITS OF CALIFORNIA REDEVELOPMENT AGENCIES*) BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of Placer County (Agency), a component unit of the County of Placer, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated November 4, 2009. Our report contained explanatory language describing the Agency's implementation of a new accounting standard, which was effective July 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal controls over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Agency's management, Board of Directors, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Maclean Gini & O'Connell LLP*

Certified Public Accountants

Sacramento, California  
November 4, 2009